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Executive Summary and Recommendations

FUELLING HARM

How Australian banks are complicit in fossil fuel-related human rights violations



1 EXECUTIVE SUMMARY AND RECOMMENDATIONS

- This report by ActionAid Australia examines the extent to which the policies and practice of Australian banks ANZ, Commonwealth Bank (CBA), National Australia Bank (NAB) and Westpac (the 'Big Four' banks) meet their human rights obligations[1] when they continue to fund the fossil fuel industry.
- In assessing the Big Four banks' human rights and climate change policies and considering their billions of dollars of ongoing financing to the fossil fuel industry, this report finds ANZ to be the worst-performing bank due to its poor policy performance and significantly higher financing.[2] This report also finds that all four banks' policies and practice are inadequate in assessing, identifying and mitigating the risk of fossil fuel-related human rights violations.
- Banks that finance the fossil fuel industry are complicit in human rights harms and are exposing themselves to potential financial, legal and reputational risks.[3] Fossil fuels unavoidably drive human rights violations.[4] They cause and exacerbate climate change,[5] which breaches human rights, such as people's rights to water, food, health and housing.[6] Marginalised communities such as women and Indigenous Peoples bear the brunt of these rights violations.[7]
- While some of the human rights risks tied to the fossil fuel industry can be mitigated by banks, this is not true for climate change-related rights violations. As emissions from producing and using fossil fuels cause climate change, it is impossible to finance the fossil fuel industry without contributing to human rights harms. This harm cannot be mitigated without the banks reducing their finance to zero.[8]
- This report acknowledges that the Big Four banks have taken some initial steps to meet their responsibilities to mitigate fossil fuel-related human rights violations, including ruling out direct financing of most fossil fuel projects;[9] adopting human rights policy commitments, conducting due diligence and implementing reporting processes.
- However, the Big Four banks continue to fund coal, oil and gas companies, including some of the world's worst fossil fuel expanders.[10] Between 2021-2025 alone, ANZ, CBA, NAB and Westpac have provided over USD 28 billion to the fossil fuel industry.[11]
- None of the banks have fully implemented the UN Guiding Principles on Business and Human Rights (UNGPs) – the authoritative standard for businesses in

preventing and addressing the risk of adverse human rights impacts.[12]

- The Big Four banks' policies have also failed to require clients in high-risk sectors or jurisdictions to participate in grievance mechanisms.[13] This means that banks may continue to fail to investigate, or act on, breaches of their own human rights obligations – on the basis that companies accused of harm do not grant them permission. This leaves communities whose rights are violated without recourse.
- Further, all four banks' policies permit financing of clients that do not have basic human rights policy frameworks, let alone meet the standards of the UNGPs. Despite the banks acknowledging the fossil fuel industry's high-risk profile, and most of them having processes to proactively screen for potential human rights violations at least at the point of financing, all of the banks have maintained financing relationships with fossil fuel clients with formal human rights complaints against them.[14]
- The banks also fail to uphold the rights of communities disproportionately impacted by the fossil fuel industry, such as Indigenous Peoples and women. The banks do not require their clients to obtain free, prior and informed consent from local communities for their projects. Despite having commitments to advance gender equality in their own workforces, the banks have almost no mention of women or gender in their human rights policies. None of the banks consider their clients' record on upholding gender equality in their activities.
- No bank demonstrated that they considered human rights violations caused by climate change when implementing their policies and making financing decisions.
- Ultimately, despite their policy commitments and statements, no bank was able to share evidence that they have refused finance specifically on the grounds of human rights risks or impacts.
- With well-drafted and carefully implemented human rights and climate change policies and practice, Australian banks could play a key role in mitigating the human rights harms associated with the fossil fuel industry.
- This report proposes a fit-for-purpose framework for Australian banks to meet their human rights responsibilities and to prevent exposure to fossil fuel- and climate-related human rights violations.
- In summary, to prevent exposure to fossil fuel-related human rights risks and to meet their human rights responsibilities, Australia's Big Four banks must urgently recognise the interconnection between climate change and human rights by implementing the proposed framework comprehensively. This entails ending all finance to the fossil fuel industry, strengthening human rights policies and procedures, and transparently reporting to demonstrate action.

Recommendations to ANZ, CBA, NAB and Westpac

1 End financing to the fossil fuel industry

To achieve this, banks could:

- Rule out all finance to the fossil fuel industry; or
- Require credible transition plans for all fossil fuel clients – which must include no new or expanded coal, oil, or gas projects – and refuse to provide or facilitate finance where clients do not meet these requirements.

2 Strengthen human rights policies and procedures

- Fully implement the UNGPs. This includes:
  - Implementing processes for due diligence, integrating climate-related human rights risks, and meeting standards on reporting;
  - Implementing processes to enable remediation of any adverse human rights impacts the bank causes or contributes to; and
  - Ensuring grievance mechanisms meet the effectiveness criteria for people who may be adversely impacted by the bank or its clients' activities. Additionally, banks must require clients to consent to participate in grievance mechanisms as a contract requirement at the point of financing.
- Require clients to have a human rights policy framework that aligns with the UNGPs.
- Regularly and proactively review new and existing clients' human rights records, including through monitoring formal complaints mechanisms and media coverage.
- Require clients to have free, prior, and informed consent from affected communities as a condition of finance.
- Embed a gender analysis across all human rights policies and procedures, including conducting gender impact assessments of clients' activities.

- Refuse to provide or facilitate finance to a client where adverse human rights risks, impacts, or complaints are identified and cannot be mitigated or prevented. Banks should outline clear criteria for these decisions, which should consider gendered impacts, climate-related human rights risks, and impacts on local communities and Indigenous Peoples.

3 Report publicly and transparently on the application of climate and human rights policies and procedures and how they have informed lending decisions

Endnotes available separately.

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